

JPRS 79690

21 December 1981

China Report

ECONOMIC AFFAIRS

No. 190

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

CHINA REPORT

ECONOMIC AFFAIRS

No. 190

CONTENTS

NATIONAL POLICY AND ISSUES

Economist on New Road in Economic Development (XINHUA, 5 Dec 81)	1
Economic Rationality Must Accompany Technical Advancement (Lu Taihong; KEXUEXUE, 20 Aug 81)	2
'GUANGMING RIBAO' Stresses Speed, Economic Results (Li Yu; GUANGMING RIBAO, 28 Nov 81)	10
NPC Deputies Discuss Zhao's Economic Principles (XINHUA Domestic Service, 5 Dec 81)	14
NPC Deputies on Petrochemical, Railway Projects (XINHUA, 6 Dec 81)	16
NPC Praise for Economic Construction Principles (XINHUA, 6 Dec 81)	17

ECONOMIC PLANNING

Guangdong Adopts Open Hainan Development Policy (XINHUA, 3 Dec 81)	20
---	----

ENERGY

Solutions to Rural Energy Problems in Arid Northwest Area (Zhang Qinghai; NONGYE JINGJI WENTI, No 10, 1981)	21
--	----

MINERAL RESOURCES

Briefs Gold Deposit Discovery	25
--	----

INDUSTRY

Improvement of Cement Quality Studied (SHUINI, 10 Oct 81)	26
--	----

State Council Notice
Report to State Council

FOREIGN TRADE

Provinces Increase Machinery Exports (XINHUA, 3 Dec 81)	30
--	----

LABOR AND WAGES

'RENMIN RIBAO' on Employment, Labor Productivity (Yue Guangzhao; RENMIN RIBAO, 23 Nov 81)	31
--	----

TU Official Stresses Need for Model Workers (XINHUA, 8 Dec 81)	36
---	----

TRANSPORTATION

Briefs	
CAAC Target Achievements	38
Developing Water Resources	38

GENERAL

Symposium Held on Effective Control of Production Costs (CAIWU YU KUAIJI, 20 Sep 81)	39
---	----

Briefs	
Minority Economic Research Society	45

PUBLICATIONS

Briefs	
China Enterprise Directory	46

NATIONAL POLICY AND ISSUES

ECONOMIST ON NEW ROAD IN ECONOMIC DEVELOPMENT

OW051217 Beijing XINHUA in English 1201 GMT 5 Dec 81

[Text] Beijing, 5 Dec (XINHUA)--"China is blazing a new road in developing its national economy," a noted northeast China economist said to XINHUA here today.

Professor Sung Zexing, vice-president of Liaoning University in Liaoning Province who has studied and taught economics for over thirty years, is now attending the National People's Congress in Beijing as a deputy.

"The new road, as mentioned by Premier Zhao Ziyang in his report to the congress, will give steady speed and good benefits to economic development, and more welfare to the people," the economist said. "China has been looking for such a new road over the years."

"After nationwide liberation in 1949," the professor recalled, "China followed Soviet Union's pattern in developing its economy, and later was influenced by a left deviationist line. It took a road of great speed and high targets, not tallying with the actual conditions of the country, which had a big population and a weak and backward economy. Heavy industry was given first priority at the expense of agriculture and light industry, causing imbalance in major proportions of the economy as a whole. Production cost was high and efficiency low. People's needs and welfare were overlooked."

"Since 1978," the 64-year-old professor said, striking a match to light a cigarette, "we have learned from past lessons, summed up experience, and repudiated the old road."

"The new road conforms with China's actual circumstances and objective economic laws. Its essence is raising economic benefits as mentioned in the premier's government work report. This means achieving the best possible economic effectiveness at the least possible cost in production, construction, circulation and all other spheres of economic endeavour. This is the way to truly benefit the people."

"As for heavy industry," he said, "efforts should be made to gear it to producing for agriculture and light industries. The weak links in economy, namely energy, communications and transportation, should be reinforced."

CSO: 4006/161

NATIONAL POLICY AND ISSUES

ECONOMIC RATIONALITY MUST ACCOMPANY TECHNICAL ADVANCEMENT

Tianjin KEXUEXUE in Chinese No 2, 20 Aug 81 pp 11-14

[Article by Lu Taihong [4151 1132 1347]: "Technical Advancement and Economic Rationalization"]

[Text] The three elements of economic growth are: an increase in labor, an increase in capital and adoption of new technology. Adoption of new technology occupies a more and more important position among these three elements with the rapid development of science and technology. Take Japan, for example. The contribution to its economic growth from the end of the war to 1960 was approximately 52 percent due to the labor force, 43 percent due to technological development and only 5 percent due to increase in capital. The period 1965-1970 was a period in which Japan's economy showed a very rapid growth rate--an average annual rate of 11.6 percent, of which 4.4 percent was achieved with an aid of science and technology. According to many forecasts, 65 percent of Japan's economic growth during the 1980's will be due to the power of science and technology. According to a study made by an American economist, E. F. Denison [phonetic], adoption of advanced technology constitutes 44 percent of the weight of various factors contributing toward increased production. In fact, 40 to 60 percent, or even 80 percent, of the economic growth achieved by a few advanced nations is due to the adoption of new technology. Therefore, a large amount of advanced technology must be employed in order to develop the economy. However, can every concrete technological advance bring about economic benefit? The answer appears to be affirmative, but in fact, it is not. Here are a number of examples attesting to this effect:

The solar energy hot water heater, distributed by Beijing service enterprises, which has been praised as "a new blossom of science and technology" and widely propagandized by the newspapers and radio stations, was awarded a national science conference award. A total of 41 units of this solar energy hot water heater were built, as a result of which 700-800 tons of coal could be saved a year and air pollution could be eliminated at the same time. However, since the cost of operating the solar energy hot water heater comes to almost twice the cost of heating water with a conventional boiler, many units which are in possession of such equipment often opt not to use it. A certain unit spent over 10 million foreign exchange units in order to import an advanced computer. But because of its low rate of utilization, a few hours each day at most, the economic profit it earns is not even enough to make up its depreciation cost. Various types of advanced numerically controlled lathes and work centers developed and manufactured in China during the 1970's have not been popular among the users in spite of their high degree of automation and

superior capability. On the other hand, a type of numerically controlled linear cutting lathe which is far simpler in design (so it is not counted as part of the numerically controlled lathes nationwide) has become so popular that the supply could not meet the demand for a time.

Many similar phenomena have been observed during the process of our technological development. Which prompts one to ask: Why? Where is the grave illness of the problem? This article will not attempt to provide an overall answer to these questions. It merely intends to start out from a number of important facts related to technological development and economic growth and to analyze and discuss one side of the problem--technical advancement and economical rationalization--with the hope of contributing in a very small way toward establishment of a technological policy.

1. Three Foundations for the Establishment of Technological Policies

If the body of science and technology is compared to a tree, then science is the root and trunk, while technology is the branches and fruits. Technology depends on science for survival, while science is materialized through technology. The measure for science is truthfulness while the measure for technology consists of advancement, economy and safety. Since the end of World War II, science and technology have grown into a giant tree with an abundance of branches and leaves reaching into the blue sky. Therefore, it has become more and more difficult to give an overall evaluation of the entire body of science and technology or to make an accurate prediction about it. As a result, technology policies which define the direction and guide the development of technology were necessary. The facts concerning the world's technological development indicated that a correct technology policy could bring about an enormous strategic profit to a nation, while unaccountable losses were also brought about as a result of wrong technology policies. For example, the Soviet Union made a mistake on technology policy related to the raw material used in the electronics industry. While the semiconductor industries of the technologically advanced nations were quickly converting from germanium to silicon as the main raw material for semiconductors, the Soviet Union preferred germanium and continued to pursue germanium technology. Later on, when it too decided to make the conversion, it had already lost a considerable amount of time, manpower and material power, and a state of backwardness in the electronics industry resulted. In the field of chemical industry, the Soviet Union failed to recognize the importance of the petrochemical industry, so not enough effort was made. As a result, the Soviet Union was still dependent on imported technology in the 1970's. China, during the 1950's and 1960's, failed to assess the true strategic significance of the electronics industry, so, in addition to the "congenital disorder," "malnutrition" at a later time created a severely backward state of electronics industry in China today. However, in the field of oil resources, a new view presented by Comrade Li Siguang concerning the existence of an oil-bearing basin in the depression belt of the New Huaxia system in China's northeast area provided a basis for policy-making by the central government and thus steered China away from entering the very expensive road of synthetic fuels. The United States is the country in which research into machine translation was done the earliest. It is in possession of enormous power for carrying out research. However, after a white paper was published in 1966 pointing out the mistaken trend of machine translation, the development of machine translation has declined. In recent years, more and more nations have begun to

attach greater importance to technological policies and their development. In the United States, a law was enacted in 1972 establishing a mechanism so that all important technological policies (such as energy resources) will be decided by the president personally. There are many technology policy problems which are related to the realization of the four modernizations in China today. A leading comrade of the Academy of Sciences says: "Research into technology policy is an important undertaking having strategic significance not only for China's science and technology but also for the economy."

What should be the bases for doing research and drafting in order to produce technology policies which are as correct as possible? The following results have been obtained from an analysis of a large volume of facts throughout the history of development of science and technology: technological evaluation, economic evaluation and damage evaluation are the three indispensable bases for drafting correct technology policies. The technological evaluation weighs the advancement of technology; economic evaluation weighs the economic advantages and disadvantages of the technology; and the damage evaluation weighs the damages that the technology may bring about. Without evaluating the advancement of technology, technological development may produce a large number of repetitions and waste, or introduce obsolete equipment, or engage in research into technologies which have long been solved. There are numerous examples of unnecessary losses incurred as a result of lack of information and neglect in evaluating the advancement of technology. Yang Zhenning once estimated that "at least 40 percent of China's research topics are subjects which have already been solved abroad." Without evaluating the economic rationality, the various probable courses the technology may follow cannot be compared and the best course chosen among them; nor is it possible to find out whether the advanced technology can enter into a practical application stage, or become popularized and widespread; nor is it possible to expose any latent weaknesses that the technology may possess. Is an advanced technology adoptable? We must find the answer in how economically rational the technology is. This is a commonly known principle understood by everybody in the course of our own daily lives. The reasons why nylon stockings so quickly replaced silk stockings is not only because nylon stockings have appeal and durability (advancement), but also because nylon stockings are economically profitable. Although the airplane is one of the means of transportation with a highly advanced technology, many people still prefer to ride on trains or steamships. One of the reasons is that the air fare is too expensive (economically irrational). A pity! Such a simple yet important principle has never been sufficiently applied to our technology management in the past. Scientific research project proposals are often found without an estimation and comparison of economic cost and a prediction of the technological and economic effects. In screening the project proposals, little attention has been paid to the economic rationality of the project. In evaluating the achievement or popularization of a new technology, we lack the figures of competitive economic indexes as a guide for passing judgment. A few years ago, there was even a mistaken notion or slogan which ignored the economic evaluation completely. For example: "It does not matter how much money is spent as long as it can be developed." Or, some projects which have been completed domestically are used "to fill the gap in this province (or this district, etc)." Using this kind of standard in screening and awarding, many projects which were neither advanced technologically nor rational economically were simply copied. Without evaluating the damage that a technology may bring about, no preventive measures and warnings against the side effects of a technology can be issued, so in

the end, the loss may become greater than the gain. As a result of severe air pollution created by the industrialization in and around London, England, in the early 1950's, a tragedy of 4,000 deaths within 4 days was recorded. The accident which took place at the Three Mile Island nuclear power plant in the United States in 1979 sent ripples all over the world, causing those nations with nuclear power plants to reevaluate their technology policies. A great number of small automobiles solved the transportation problem, but at the same time, created a shortage of energy resources and air pollution. Advanced automation technology can significantly increase labor productivity, but is also capable of creating employment problems in a country like China with a large population. An irrational way of creating rice paddies from lakes, hydraulic engineering projects without a bioenvironmental concept, and excessive fishing and water pollution can all contribute to a significantly reduced yield of fresh water fish.

Moreover, we can also understand how inseparable these three foundations--evaluations of technological advancement, economic rationality and possible damage--are from the study of a few special phenomena observed during the course of technological development. For example, utilization of solar energy is overwhelmingly superior to any other energy resources, and technical feasibility has long been confirmed. But why is not the technology for utilization of solar energy popular all over the world? In contrast, the microprocessor is a technology which appeared only in the early 1970's. Why was it able within the short period of only a few years to enter into commercial production and undergo four generations of changes, with production reaching 400,000-500,000 units in 1975, an annual growth rate as high as 52-55 percent (estimated over the period of 1975-1980) and spread over a very broad area with surprising speed? The United States is a country with highly advanced electronic computer technology which is in possession of the most advanced technology of the fourth-generation computers. Why then during the late 1960's and early 1970's did it develop and manufacture a large number of sequential control devices, which require much less advanced technology than the computers, and popularize them? Among the numerically controlled technologies developed by the United States in the early 1950's, the closed-loop control was an advanced technology. However, after the closed-loop control technology had matured, why did Japan begin research and development of a technologically simpler open-loop control technology? And since 1965, why did the United States itself also develop a kind of numerical control device with a lower degree of control power using the open-loop control as its main feature? In the summer of 1970, a gigantic Aswan Dam was built on the upper Nile River, increasing Egypt's farm area by 20 percent and producing 8 billion kW of electric power a year. The project was acclaimed as a "great technological" victory at the time. But why, only 2 years later, was the project judged by the United Nations environmental conference as "a failure in hindsight"?

During the process of drafting technology policy, the weight assigned to the three--technological evaluation, economic evaluation, and damage evaluation--may vary according to the objectives and emphases. In certain circumstances, one of these three may have to be dominant. For example, military requirement emphasizes advancement of technology. However, the present trend tends to emphasize evaluation of advancement of technology and neglect evaluation of economic rationalization and damage. The science and technology management neglects economic evaluation, while the economic management neglects technological evaluation. As one of the leading comrades of the State Science Commission observed: "Generally speaking,

the comrades who are engaged in economic work lack understanding of science and technology matters and so are unable to think deeply about technological advancement and possibilities." We shall put aside the damage evaluation for a while and concentrate on an analysis of the interrelationship between technological evaluation and economic evaluation.

2. Four types of Technology and Four Stages of Technological Development

In order to take into consideration both technology and economy, the foreign management field has developed the concepts of "performance-cost ratio" and "performance-cost curve." These useful concepts are employed to express the different economic prices required by the different technologies to achieve the same performance. Starting out with this concept, various types of technologies may be grouped into four groups. When we select technology from an ocean of technologies, we can choose from one of these four groups.

First group: Backward technology and high economic price.

Second group: Relatively backward technology with some economic profit. For example, coal as an energy source used in some old equipment and old technology engaged in production.

Third group: Advanced technology with high economic cost and high price. For example, solar energy utilization equipment developed in the 1970's; the magnetically suspended high-speed train; and the direct steel smelting method.

Fourth group: Advanced technology and low economic cost. Typical examples include the microprocessors and the minicomputers which appeared in the early 1970's. A minicomputer priced at \$300 is more advanced in technology than the first large-scale computer (ENIAC) built in the world. It is 20 times faster, several thousand times more reliable, 30,000 times smaller in size, and a millionth the price. A history of computer development spanning more than 30 years indicates that approximately every 5-8 years the computer speed is raised 10 times, the size is reduced 10 times, and the cost is also reduced 10 times. The cost of the storage device, among all the computer components, has been reduced most significantly. The performance-cost ratio of the dynamic storage onboard the computer dropped from 1 penny/bit in 1972 to 0.04 penny/bit in 1979.

Therefore, technological advancement and economic rationality do not always go hand in hand. The most advanced technology is not necessarily also economically rational. An advanced technology without economic rationality cannot endure. At a certain time and in a certain domain, it will be replaced by a relatively less advanced technology which is economically more rational. For example, Sweden is a country in which the electronic communications technology is relatively advanced. During the 1970's, it already grasped the advanced technology of an all-electronic automatic exchange. However, it did not mass-produce this device and utilize it immediately because it learned from the performance-cost curve that, compared with the existing old equipment, the new equipment could become economically rational only in the 1980's.

Furthermore, every single new technology has its life cycle, as is evident from a study of the process of technological development itself. Each life cycle has four stages, including the inception stage, the growth stage, the mature stage and the decline stage. Technology in the inception stage has an uncertain future. An advanced technology with important economic profit can emerge if a breakthrough can be made and if it can ride out the technological and economic storms (risks). For example, controlled thermonuclear reaction, magnetohydrodynamic power generation, generic engineering, and intelligence modeling of the 1970's. Technology in the growth stage has life power and is also in possession of a potential economic competitive power. For example, applications of optic fiber communications technology and the microprocessors of the 1970's. According to a Japanese analysis, if the profit growth rate of a technology at this stage is above a horizontal line, then a steady economic profit over a period of time can be obtained. Technology in the mature stage is an established technology, and it may have already been commercialized. Therefore, it is a waste of money to repeat research work on this type of technology. It is more profitable economically to import the technology and try to expand it horizontally according to a certain specific need. For example, civilian applications of military technology; household applications of electronics technology; and importation of a television production line by China. Both the technological advancement and the economic profit can be further increased if a new technology can be created on the foundation of the imported technology (such as the steel making technology of Japan and the computer software technology of Rumania). Technology in the decline stage is an obsolete technology which belongs to the first group described above.

3. Horizontal Expansion and Vertical Penetration of Technology

In carrying out the technological evaluation, the first group and the fourth group described above are relatively easier to deal with, because the technological advancement and the economic rationality are in agreement in these two groups. The second group and the third group are more difficult to evaluate, because the technological advancement contradicts the economic rationality in these two groups. The purpose of applications research and development research is, for the most part, an effort to transform this pair of contradictions. If the factors causing the failure of an advanced technology to be adopted are called the risk factors, then there are two kinds of risk factors. The first kind is technological risk: failure is brought about by insufficiently verified technology, insufficient technological power, and insufficient ability to assimilate the technology. The second kind is economic risk: failure is brought about by irrational economics. The tasks of technology policy in such circumstances are to select a technological objective and chart the course to achieve this objective in spite of the risks. In selecting the technological objective, one concept which has become popular in recent years involves adoption of "intermediate technology" or "appropriate technology." According to this concept, a relatively advanced technology, situated between the most advanced technology and the existing traditional technology, which is most appropriate for the existing circumstances should be selected, because this technology is more mature and will be able to bring about large economic advantage.

Large numbers of facts accumulated over the history of development of technology and economy have proven that horizontal expansion and vertical penetration of technology are the means employed to reconcile the disagreement between technolog-

ical advancement and economic rationality. Horizontal expansion of technology means application of the same technological invention in different areas. Horizontal expansion of large-scale integrated circuit technology has produced electronic watches, intelligent machines, intelligent robots, household electronic brains and mini computers. Laser technology has seen a similar expansion. A very large economic advantage can be brought about when new products are manufactured from the combination of a number of technologies in the mature stage. The Japanese call this "combination technology," and they consider that this is one of the trends of technological development today. China should especially emphasize this trend in its economic management today and exert efforts to develop new products by extending the useful economic life of the existing mature technology. Vertical penetration of technology means to dig deeper into the technology and to make it more advanced. Economic irrationality can be transformed into rationality through technological breakthroughs. Electronic computers used to be very expensive, but the price came down as a result of the breakthrough of the large-scale integrated circuit. A huge economic advantage has been brought about by the appearance of the large-scale technology since the 1950's, and large-scaling has become a trend as well. For example, the manufacturing cost per unit of power output of a 6 million kW generator unit is 10-20 percent lower than that of a 200,000 kW unit. A synthetic ammonia facility with an annual capacity of 200,000 tons consumes energy amounting to 1,450 kWh per ton, while a synthetic ammonia facility with an annual capacity of 460,000 tons consumes only 50 kWh per ton. A number of breakthroughs made in the petrochemical industry (consisting mainly of direct synthesis technology and new types of catalysts) have likewise made the economic index change toward greater rationality. For example, a method of manufacturing acetaldehyde from ethylene by means of direct oxidation has brought down the cost by 16 percent, increased the profit by 65 percent, and reduced the equipment cost by 25 percent. The production of hexanolactam using the toluene method has brought down the cost by 25 percent, increased the profit by 105 percent and reduced the equipment cost by 33 percent.

Another approach to transforming the contradiction between technology and economy is to import technology. As long as the policy for technology import is correct, we cannot only gain time and advancement but also obtain economic profit and rationality. Take Japan, for example. Japan spent \$6 billion on the importation and popularization of foreign technologies over the period 1945-1970. As a result, a project could be concluded in 2-3 years based on the imported technologies. On the other hand, the research expenditure of the original technologies was as high as \$180-200 billion with a time period of 12-15 years for a project to be concluded. Therefore, the cost for importation of technology is only 1/30 of the original cost and the time is also 4/5 shorter. To further illustrate this point using specific products as an example: Japan's Toyo Rayon Company spent \$7 million to buy a license for the production of nylon, and earned from the export of nylon \$90 million within 3 years. The profit amounted to approximately 13 times the cost of licensing the patent. On the other hand, the Du Pont Company spent more than \$250 million and 11 years in order to develop this patented technology.

It is evident from the above that technological advancement and economic rationality do not always go hand in hand. Whether a certain technology policy is correct, or whether a certain manager is really able is measured by whether the policy or the manager is capable of grasping the optimum point at which to carry out this transformation of contradiction, to achieve the maximum economic effect by adopting the advanced technology at the optimum time.

4. A Few Suggestions

A. Technological policy should favor the development of technologies belonging to the fourth group (advanced technology with economic rationality). Application screening and evaluation of scientific research projects must include economic indexes, and a prediction of the economic rationality and the probable damage must be made.

B. Technological policy should protect and financially support those technologies which are technologically advanced and economically competitive. These technologies, which are in the growth stage, will hopefully bring about relatively large economic effect. The economic measures and price policies which in practice protect the backward technologies should be abandoned as soon as possible.

C. In selecting scientific research projects, special attention must be paid to those key technologies which can create obstacles to economic rationality. For example, the key technology in the utilization of solar energy is the search for better materials with higher conversion efficiency and not different types of converters.

D. The fund controlled by the Economic Commission for developmental research and the fund controlled by the Science Commission for scientific research must be clearly differentiated according to the subjects for funding. The Economic Commission fund should be spent mainly on the horizontal expansion of technology in accordance with market demand in order to achieve the maximum economic profit in a short period of time. Therefore, its subjects should consist mainly of technologies in the mature stage. The fund of the Science Commission should be spent mainly on the vertical penetration of technology in order to achieve breakthroughs. Therefore, its subjects should consist mainly of technologies belonging to the third group, or technologies in the growth stage.

E. The economic department should strengthen the upgrading and renewal of products. As a result of rapid progress in modern science and technology, the period from the appearance of a new technology to a product being produced industrially is becoming shorter, so is the period for upgrading and renewal of new products, and also the period for an equipment or a technology becoming obsolete. For example, the life of a new product in the United States, West Germany and Japan is in general 6-8 years, and no more than 2-3 years for certain most advanced technologies (such as the on-board storage device). The life of new materials is approximately 10 years. The life of new technologies is approximately 7 years, and the life of new instruments is approximately 5 years. About one-fourth of the 3,500 products of the 3M Company of the United States were unheard of 5 years ago. In contrast, some products in China have been "continuously in production for several decades." Large economic profit cannot be achieved from the use of technologies which are in the decline stage.

(Edited by Zeng Ruyu [2582 3067 1946])

9113

CSO: 8111/0188

NATIONAL POLICY AND ISSUES

'GUANGMING RIBAO' STRESSES SPEED, ECONOMIC RESULTS

HK071047 Beijing GUANGMING RIBAO in Chinese 28 Nov 81 p 3

[Article by Li Yu [2621 1878]: "Speed and Results"]

[Text] The matter of speed and results has all along been a major problem that must be given attention and properly solved in our economic construction. The speed of economic growth is an important condition for the socialist system to ultimately triumph over the capitalist system and for backward countries to catch up with and surpass industrially developed countries. In achieving the four modernizations, it will not do if the speed of economic development is incompatible with national conditions and national resources. Even during the period of the readjustment of the national economy, we must maintain a given speed of growth. Improved economic results remain the starting point and the final aim of all economic work. Satisfactory or unsatisfactory results are the ultimate mark and measure of all economic work.

Then, what is the central problem in our current economic development? In light of both positive and negative experiences in economic construction summed up in the past 30 or more years, I believe that the central problem in our economic development remains the improvement of economic results. The aim is to enable the national economy to maintain a given speed of growth through improved economic results. We must resolutely rectify the mistake of ignoring economic results. Meanwhile, we must guard against and oppose any tendency toward disregarding the speed of growth. Through an "input" of our existing manpower and financial and material resources, we seek the kind of "output" allowing still better national economic results and a maintained speed of growth.

In the current process of the readjustment of the national economy, what is the main way of improving economic results and maintaining a given speed of growth? We cannot seek capital construction and the development of heavy industry by relying on the method of increasing the financial deficit. Nor can we effect major reforms in economic management without being equipped with the necessary conditions. To solve the problems that have accumulated in the unbalanced development of various economic sectors over the past several decades takes a given period of time and involves a process. The only way out for us is to do things according to objective economic laws and carry out construction in line with the principle of "acting

according to our capability and seeking gradual progress," as pointed out by Comrade Chen Yun. Given our existing limited manpower and financial and material resources and a meager amount of money invested in capital construction every year, the main way out for us is not to seek a greater "input" but to lay the emphasis on how to get a greater "output" from the existing "input." Expanded reproduction by extension, which is indispensable, must be promoted. But we should chiefly promote expanded reproduction by intension. This is to say that we must make the fullest use of existing basic conditions and follow the road calling for a rational economic structure and the rational organization of social production to improve the economic results of the whole society and seek speed through results.

Only such economic results can promote the results of the development of the national economy. And only such a speed of growth can be a realistic and feasible speed --a speed compatible with out national conditions and national resources.

To correctly handle the relations between speed and results, achieve a benevolent cycle in the national economy and accelerate the process of modernization, we should at present lay particular emphasis on the following four basic viewpoints:

1. We Are Advocates of the Viewpoint of Dialectical Unity Between Speed and Results

Speed and results are not unrelated and mutually exclusive. Instead, they form a unity of opposites. The speed we seek is speed with good economic results. The economic results we seek are economic results at a given speed of growth. A speed of growth really compatible with national conditions and national resources can bring good economic results for the national economy. With the achievement of good economic results, there will inevitably be a given speed of growth. Any view or approach seeking to separate results from speed and set the two in opposition is wrong. If we just pay attention to economic results regardless of the speed of growth, such economic results are not really good economic results. Conversely, if we just pay attention to speed regardless of economic results, we are liable to repeat previous mistakes and invite trouble for the sake of appearances.

2. We Are Also Advocates of the Idea of Priority in Regard to the Relations Between Speed and Results

Generally speaking, speed and results are synonymous. But in actual practice, there often appear contradictions in their demands. Sometimes, the speed of growth is very high but economic results are very poor. Under these circumstances, there arises the problem of which is subordinate to which. Should the demand for speed be subordinate to the demand for results, or the demand for results be subordinate to the demand for speed? Experience shows that we should subordinate the demand for speed to the demand for results. Only in this way can we achieve speed. And only in this way can there be a scientific basis for speed, can speed be feasible and marked with actual results.

On the other hand, if where there are contradictions between the demand for speed and the demand for results, we subordinate the demand for improved economic results to the demand for increased speed, then such a speed can only be one divorced from reality, false and devoid of actual results. If high speed is accompanied by poor

economic results, this means that we have expanded our labor and obtained an increase in output but much of our labor has been wasted. This is because the products throughout are useless and fall short of the needs of society and the people. This is like the situation that appeared before. To maintain speed and pursue output value, everyone ended up with a speed for growth that worked out many times higher. But the quality of products was often neglected. The variety of products was reduced. The consumption of various materials increased. The costs of products went up and profits dropped. Economic results as a whole were relatively poor. Therefore, we must not reverse what should be given priority in regard to the relations between speed and results.

3. We Must Achieve Speed Through Results

How should we seek and from where should we start, in order to better conform with actual conditions and better realize a virtuous cycle in the development of the national economy? There are two approaches with two different kinds of results involved here.

One approach is to seek speed through speed. With higher speed as the center and the goal, pressure is brought to bear at all levels to fulfill the quotas for output value. In this way, there often appears the situation in which everyone concerns themselves only with an increase in output value without taking the trouble to study how to improve economic results, or without ever giving a thought to the problem of improving economic results. For this very reason, we cannot achieve good economic results. If good economic results are not achieved, the speed of growth demanded cannot be achieved as a result either.

Another approach is to seek speed through results. With improved economic results as the starting point of all economic work, we seek speed starting with an improvement in economic results. Of all the indicators of economic results, the most important index is the quantity of products provided for national construction and for the people in their everyday life--products which are of the right kind, which are of high quality, which call for the consumption of not much material, which are low in cost, which allow a big margin of profit, which are delivered in time and which are cheap and good. Output value and other indicators only serve as a supplementary pointer. Economic results with the end products used as a main indicator can surely bring about an appropriate increase in the speed of growth. Only such a speed is compatible with reality and is realistic and reliable.

In sum, economic results unaccompanied by an increase in speed are not real results. The ultimate indicator or measure of whether or not the speed of growth is rational can only be satisfactory or unsatisfactory economic results.

4. There Is Great Potential in Improving Results and Maintaining the Speed of Growth

From January to September this year, the output value of light industry showed an increase of 12.4 percent. But due to a drop in the output value of heavy industry, the total industrial output value had risen by only 1.5 percent compared with the corresponding period last year. Economic results were not ideal either. We must strive to achieve still better economic results in the development of the national

economy next year, achieve a relatively satisfactory speed, such as can be obtained after effort, and advance at a more steady and brisk pace. To do so, we should further tap the potential in increasing production. We must pay particular attention to tapping the potential in the growth of heavy industry. This is because the output value of heavy industry is relatively large and has a relatively great effect on the speed of growth of industrial production and economic results.

In tapping the potential in heavy industry to increase production, the emphasis should be put on readjusting its service orientation, enlarging its scope of service, strengthening its adaptability and overcoming the contradictions between those sectors which are operating below capacity and those which are overburdened with work. Take the machine-building industry for example. It must complete the switchover from serving itself to serving agriculture, light industry, the people's livelihood, export business and technological reform. As quickly as possible. It must also direct efforts toward the development of the scope of its field, the development of techniques, the development of products, the development of services and the expansion of the market. In particular, it must provide the right machinery and equipment for the benefit of existing enterprises in regard to technological restructuring and renewal of equipment. In this way, the output value of our machine-building industry can rise and the speed and the results can also be raised. Besides, there is much room for development for the machine-building industry in such fields as environmental protection, the production of unique handicrafts and special native products, packing, serving the assembly of parts, providing repair services, foreign trade, and so forth, and in satisfying urban and rural residents' demand for mechanical and electrical products for everyday use, for consumer durables, and so forth.

The same is true of the light and textile industries. As the sources of materials for our light and textile industries and the market and production capacity expand, the economic results of our light and textile industries can also be further improved and the speed of growth also can be further accelerated. Due to a bumper harvest of cotton and silk worm cocoons achieved throughout the country last year, production of cotton, wool, silk, hemp, and so forth, is expected to increase this year. With a series of newly built large and medium-sized chemical fiber factories being put into operation, there will also be an increase in the output of chemical fibers. The shortage of raw and other materials for light and textile industries will be further relieved. Due to an increase in the income of urban and rural residents and especially an increase in the purchasing power of the masses of peasants, there is a greater demand for a greater variety of clothing, bedcovers, garments and various daily necessities. There is thus a broader market for the light and textile industries. Because various areas have turned some heavy industrial enterprises without production tasks to the light and textile industries, there will be a further increase in the latter's production capacity.

At present, to properly consolidate enterprises and raise their existing management level is an important part of the effort to improve results and maintain the speed of growth of both heavy and light industry. We can surely succeed in this respect, so long as we strengthen fundamental work and management and consolidate financial discipline and labor discipline.

CSO: 4006/161

NATIONAL POLICY AND ISSUES

NPC DEPUTIES DISCUSS ZHAO'S ECONOMIC PRINCIPLES

OW060909 Beijing XINHUA Domestic Service in Chinese 1631 GMT 5 Dec 81

[Text] Beijing, 5 Dec (XINHUA)--In group discussions over the past few days, deputies to the fourth session of the Fifth NPC have deliberated the 10 principles for economic construction presented by Premier Zhao Ziyang. It is their view that these principles contain substance, that they are effective measures suited to China's actual situation and that they reflect the aspirations of the people of the whole country.

Ma Yaoji, Beijing's deputy, said: The 10 principles presented by Premier Zhao Ziyang in his report are a solution to important theoretical and practical problems in socialist economic construction. They specify the problems in economic construction expounded in the "Resolution on Certain Questions in the History of our Party Since the Founding of the PRC." Li Tinggui and Wu Chengqing, deputies of Quizhou, maintained: Premier Zhao's report is "truthful in affirming the achievements, precise in pinpointing the problems, realistic in its planning and well-rounded in forecasting the future."

Liu Tianfu, NPC deputy and Guangdong provincial governor, and Guo Shaoyi, deputy director of the Qingdao Municipal Textile Industry Bureau, said: The 10 principles presented by Premier Zhao Ziyang are a program for China's socialist construction. Demonstrating the superiority of the socialist system, they are a basic guarantee for the accomplishment of the four modernizations. Following these 10 principles will certainly lead China's economy into an unprecedented state marked by big improvements in economic results.

Lin Zongtang, NPC deputy and deputy director of the scientific and technological bureau of the State Machine Building Industry Commission, said: There are no proud, empty words or demagogic slogans in these 10 principles, each of which is an important, effective measure for releasing and developing the productive forces. If we work in a down-to-earth manner by following these 10 principles, China will certainly increase its "stamina" in developing the national economy. Wang Bingqin, NPC deputy and vice chairman of the investigation and research office of the Shandong Provincial CCP Committee, said: The 10 principles are guidelines for generating enthusiasm and doing concrete work. They are readily understandable and can be practiced in all trades and professions. Practicing these principles is sure to yield good results.

Some deputies who perform economic work reviewed how they had taken the beaten track for years under the guidance of the "leftist" ideas--a track that sought high speed exclusively, that laid undue emphasis on heavy industry and a high accumulation rate and that yielded very poor economic results. According to these deputies, the root cause of this situation was that subjective desire was divorced from objective realities and from the most important considerations in China--its huge population and poor foundation. The desire to make quick success resulted in waste. The deputies said: To correct the past maladies in economic work, the present 10 principles have been formulated through years of intensive investigations, studies, extensive explorations and by means of earnestly summing up experiences and lessons. This is a new road for China's socialist construction.

Song Zexing, NPC deputy and well-known professor of economics of Liaoning University, analyzed the 10 principles one by one. He said: The first, second, third and eighth principles are for solving the previous irrationalities in the economic structure, industrial structure and economic management system. The fourth and fifth principles are measures for transforming and consolidating the existing enterprises in view of their present problems. The sixth and seventh principles, which take into consideration China's inadequate funds and poor foundation, indicate ways to make good use of domestic and foreign capital in enhancing benefits. The ninth principle on raising the workers' scientific and cultural level was formulated in view of the disproportionate relationship between China's backward education and science on the one hand and the additional sectors of the national economy on the other. The last principle on the concept of doing everything for the people reflects the objective law in China's socialist economy. Song Zexing said: In short, each of these 10 principles is well-founded. These principles respect the requirements of objective economic laws and fully bring out the superiority of China's socialist system.

Shanxi deputies said: In the past we did not clearly understand what China's conditions were, which road we should take and what it means to do things within one's power in economic construction. Now the 10 principles make things clear and give us a free hand in doing our work in the future.

In the course of deliberation, deputies from Shanghai, Shandong, Tianjin, Sichuan, Guangdong, Liaoning and Heilongjiang warmly praised Hu Yaobang, Zhao Ziyang and other party and state leaders for their leadership style of conducting investigations and studies in practical situations. They said: Some of our leading comrades in the central authorities are men of action. It is precisely because of their realistic attitude in earnestly summing up the practical experience of all localities and extensively listening to the masses' opinions that the 10 principles could be promptly formulated within a short time to ensure a realistically rapid development of China's national economy. The deputies said: The leading comrades of the central authorities have taken the lead. We must work in the same down-to-earth manner, study and publicize the 10 principles, earnestly strengthen investigations and studies, vigorously enhance our enthusiasm, meticulously and successfully perform our work in all fields and boost the national economy according to the requirements of the 10 principles.

NATIONAL POLICY AND ISSUES

NPC DEPUTIES ON PETROCHEMICAL, RAILWAY PROJECTS

OW061241 Beijing XINHUA in English 1227 GMT 6 Dec 81

["NPC Deputies Propose Construction of More Petro-Chemical and Railway Projects"--XINHUA headline]

[Text] Beijing, 6 Dec (XINHUA)--More petro-chemical projects should be built to make better use of China's petroleum, increase national income and provide more jobs.

This was proposed by Chief Engineer Huang Nongning from the planning bureau of the Ministry of Chemical Industry at a group meeting of the current session of the National People's Congress here.

In discussing Premier Zhao Ziyang's report, he said he agreed to the report's stress on making rational use of the 100 million tons of oil that China produces every year.

Using petroleum as fuel is a great waste, the chief engineer said. If the crude oil now being burned in China is turned into plastics, synthetic fibers and synthetic rubber, and then processed into clothing and other goods, this would bring an additional income to 39,000 million yuan a year and provide jobs for over one million people.

Since there are good prospects for developing China's offshore petroleum, the chief engineer said, work should be started right now to make preliminary feasibility studies on the construction of petro-chemical works.

Experts in the chemical, petroleum, textile and light industries should coordinate their efforts in these studies to provide a better basis for deliberation by the government, he added.

Chief Engineer Tan Baoxian of the construction bureau of the Ministry of Railways pointed out that, like energy, transport is now a major limiting factor in China's economic development.

The total length of railways now in operation in China has increased 2.4 times since 1949 and the number of locomotives, 2.5 times. However, the total volume of railway freight in 1980 exceeded 1,000 million tons, ten times that of 30 years ago. This has put great strains on the railways, he said. Tan Baoxian predicted that railway freight would at least be doubled in 20 years. Therefore, he said, new railway lines must be added while existing ones should be improved.

CSO: 4020/46

NATIONAL POLICY AND ISSUES

NPC PRAISE FOR ECONOMIC CONSTRUCTION PRINCIPLES

OW070457 Beijing XINHUA in English [no time given] 6 Dec 81

[Text] Beijing, 6 Dec (XINHUA)--At the panel discussion of the fourth session of the Fifth NPC on the report on the work of government, the deputies universally commented that the 10 principles for economic construction put forward by Premier Zhao Ziyang stressed, from beginning to end, the central idea of raising economic results. The deputies have called them excellent plans and sound strategies for pursuing the four modernizations and for bringing benefits to the people.

The deputies pointed out: The 10 principles put forward by Premier Zhao Ziyang embodied in every way the spirit of raising economic results for the benefit of the people. These principles have, in a sure sense, initiated the road of development of a Chinese-style socialist economy.

In the course of discussion, deputies from Shanghai, Sichuan, Heilongjiang, Xinjiang, Nei Monggol and other provinces, municipalities and autonomous regions have all mentioned this situation: in the course of further readjusting the national economy this year, even the scale of capital construction has been trimmed greatly and the development of heavy industry slowed down; however, because attention has been paid to agricultural and light industrial production, the supply of major goods remained abundant, in spite of brisk buying and selling, and the volume of goods sold and that stockpiled in the warehouses has also increased. Some deputies held: This shows that, as long as the policy is correct and the speed of economic development is set in a practical manner, it is possible to improve economic results to equably benefit the people.

In discussion, deputies from Tianjin mentioned the opinion expressed by Premier Zhao in February this year, when he visited Tianjin during an investigation and study tour. They said: Premier Zhao touched on the ideas of the 10 principles at that time. Since the beginning of this year, in accordance with central instructions and based on market demand, Tianjin Municipality has successively organized more than 180 enterprises to take up other forms of production because they currently do not have enough to do or are producing unsaleable goods. At the same time, steps have also been taken to organize heavy industry to readjust its service orientation and actively develop the production of consumer goods by means of technical renovations and specialized coordination to give a relatively high rate of increase in the entire industrial production. The deputies from Tianjin said:

Although some progress has been made industrially, the economic results achieved are far behind Shanghai. They pledged to learn from Shanghai's good experience, together with cadres and workers throughout the municipality and to find out where they have lagged behind, by comparing each and every trade and enterprise with Shanghai, to quickly raise the economic results in accordance with the demands of the 10 principles.

In the course of discussions, Hu Anfu [5170 1344 1122], secretary of the Huimin County CCP Committee, Shandong Province, vividly described the importance of paying attention to economic effects by citing a host of examples in Huimin. He said: Owing to "left" interference in the past, production in our county has always lagged behind. However, by conscientiously implementing the party's rural economic policy, by universally establishing the production responsibility system in the rural production teams and by planting according to local conditions during the past 2 years, cotton production in the whole county this year has increased 100,000 dan and grain production has also increased by 80 million jin; the average income per commune member to be distributed this year is expected to increase from 72 yuan last year to 150 yuan--more than double.

In discussion, some deputies singled out industrial production in 1960 and 1965 for comparison: judged on national industrial output value, 1960 surpassed 1965 by 25.6 billion yuan, but because light industrial goods only took up 1/3 of industrial production in 1960, many products were of poor quality, the source of supply was limited, supply fell short of demand and tremendous difficulties were experienced in state construction and the people's livelihood. On the other hand, even though the 1965 total industrial output value was 25.6 billion yuan less than 1960, because the proportion of light industrial products rose 50.4 percent and the products were of good quality and marketable, the tense supply and demand had eased to satisfy the need in both production and in the people's livelihood. The deputies pointed out: Historical experience has shown us that economic construction proceeds steadily and develops healthily whenever we pay attention to economic results. By ignoring them, we make mistakes and encounter setbacks in economic construction.

In discussing the way to raise economic results, many deputies suggested that resolute efforts should be made to consolidate enterprise management and oppose waste. They held that confusion in enterprise management, poor quality of products, high fuel and raw materials consumption, serious waste, low profit margins, and operating at a loss were incompatible with the demands of the 10 principles. If such problems were not solved quickly, it would be impossible to improve economic results.

On settling accounts, some deputies said: In 1980, the profits realized by our enterprises from every 100 yuan in output value was 1/3 less than in record years; there was a long wait for capital construction, the effect of investment was poor and the cost of business operations was also high. It would be entirely possible to save thousands of dun of petroleum, several million dun of coal and scores of billion yuan in capital, if we consolidate these fields and put economic results into full play.

The deputies have put forward numerous suggestions for tapping potential in coping with the current situation in the enterprises. Deputy Liu Zhenghao [0491 2582 3185],

secretary of the Shenyang Municipal CCP Committee, said: As far as the present situation in enterprises is concerned, there are four areas in which we can tap potential to raise economic results--by readjusting the structure of products, by improving enterprise management, by carrying out technical renovation and by enlarging foreign trade exports. Some deputies also said: Our country has a solid foundation for economic construction; we have nearly 400,000 industrial enterprises. But, a considerable number of enterprises' economic results either lag behind the international advanced level or have not reached the record level attained in the past. The 10 principles elaborated by Premier Zhao are indeed the magic weapon to make the country prosperous, the people wealthy and are a good way to make, accumulate and use money. Implementing these 10 principles well, greater social wealth will be produced on the existing economic base in our country, thereby bringing about a great advance in the entire national economy and in raising the level of the people's material and cultural life.

CSO: 4006/161

ECONOMIC PLANNING

GUANGDONG ADOPTS OPEN HAINAN DEVELOPMENT POLICY

OW031416 Beijing XINHUA in English 1224 GMT 3 Dec 81

[Text] Guangzhou, 3 Dec (XINHUA)—The Guangdong provincial government has recently decided to adopt an open-door policy for the development of tropical Hainan Island which has abundant natural resources. Preferential treatment will be given to overseas investors starting enterprises or joint ventures with China on the island as in special economic zones, authorities of the province announced.

The provincial government plans to use foreign investment in the development of Hainan Island in accordance with the state external economic policy and unified planning of the province. Foreign trade and tourist industry will be expanded. At the same time, provincial authorities said, special shares for construction will be issued and the rate of interest for bank savings deposits raised to pool unused money for the same purpose.

Hainan Island, with a total area of 32,200 square kilometers, is second only to Taiwan in size.

Foreign capital and technology will be used mainly to expand cultivation of tropical and subtropical plants, tropical forestry and timber industry, animal husbandry, breeding of aquatic products and tourism, and to improve energy production, communications and traffic. South of the Tropic of Cancer, the island is noted for rubber, cocoa, coffee and other tropical plants.

As far as income tax is concerned, foreign investors will enjoy preferential treatment as in the province's special economic zones of Shenzhen and Zhuhai. The rate of income tax levied on the enterprises in the special economic zones is, in general, 15 percent, according to the regulations on special economic zones in Guangdong Province adopted in August last year.

The Chinese side in a joint venture or an enterprise undertaking cooperative production on Hainan Island will claim a smaller proportion of the total profits than it does in an enterprise in a special economic zone. Charges for the use of land for new enterprises on the island will be less and the workers' wages lower, authorities added.

In addition to starting enterprises or joint ventures with China, foreign and overseas Chinese business people are welcome to undertake compensation trade or contract processing orders.

CSO: 4020/43

SOLUTIONS TO RURAL ENERGY PROBLEMS IN ARID NORTHWEST AREA

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMICS] No 10, 1981
pp 57-58

[Article by Zhang Qinghai [1728 1987 3189] of the Agricultural Engineering Research and Design Institute: "Practical Solutions to Rural Energy Problems in Arid Areas of Northwest China"]

[Text] In our study of practical solutions to the structure of the rural energy problem, we recently conducted some investigations in Yongjing County of Gansu Province.

I. Present Condition of Rural Energy in Yongjing County

Although the natural and geographic conditions of Yongjing County are representative of the arid areas in northwest China, there are unique characteristics in transportation and electric power as well. In the area of conventional utilization of energy resources, Liujiaxia Hydroelectric Power Station--China's largest--is located in Yongjing County. Because of the advantage of location, all the communes in the county are wired for electricity and 50 percent of the production brigades are equipped with electric lights; on the other hand, not much oil is used and although coal is available, there are large subsidies by the state. Because life is difficult for the peasants, few households use coal. Food and fuel are the two biggest problems today. There circulates a saying in the villages: "When housewives face the stove, tears come to their eyes." The lack of firewood has caused many serious problems in the peasants' living and production. Food and fuel are two closely tied facets of one problem. Take Xiaoling Commune in Yongjing County as an example: The per mu grain yield in 1980 was only 170 jin; average grain allocation per person was 440 jin; each person could only have 100 jin of crop stalk per year for burning and a household of 5 or 6 could have 500-600 jin of crop stalk per year. After the policies are put on a solid basis, basically 1 jin of stalk for 1 jin of grain can be realized. A household of 5 or 6 can have 1,200-1,500 jin of stalk per year. How is this fuel used? If burning coal, a household of 5 needs 300 jin per month. If using stalks as fuel, at least 500 jin are required, only 16-17 jin are available per day. (Each kilogram of stalk has 3,500 kilocalories of heat of combustion). In other words, in the past, the yearly share of stalk per household could only last 1 month, and their share now can last 2 to 3 months at the most. But today each household keeps an average of 1 to 1.5 donkeys. They say now is the time for old cattle to plug along and for the donkey to bear a heavy load,

and yet each donkey needs at least 800 jin of feed per year, therefore, the crop stalks appropriated to each household must now be used as feed, as well as burning fuel.

Where does the peasants' cooking fuel come from? There are three sources: (1) Go up to the mountains to dig up the sod and grass roots, break tree branches, and strip tree barks. (Provincial comrades said that people at some places use tractors to dig up roots of red willow are well developed and commonly known as the underground forest.) (2) Use livestock dung as fuel, and (3) Exchange grain and potatoes for coal (one jin of potato for 2 jins of coal).

In the search for fuel, the peasants not only spend great amounts of labor each year but the vegetation suffers damages, the ecological environment increasingly deteriorates and the ability to resist natural disaster becomes weaker. If this situation continues, the question of whether our descendents can still live on this land is really worth studying.

Are we pessimistic? No! There are ways out of this and hope can be restored, the key is to recognize the problems and make a great effort to do something. We are convinced that with strengthened leadership, correct method and policy, and the hard work of the industrious and courageous northwestern people, the "adverse situation" can be changed.

II. Energy Structure and Construction Method in Arid Rural Areas

On the surface, fuel shortage in the arid rural areas in northwest China may appear to be a problem in the livelihood of the peasants, but it is in essence an agriculture production problem. Destruction of the fundamental conditions for production leads to a vicious cycle between production and livelihood. In order to check and change this situation, there is but one solution in the long-term interest and that is to plant trees, work on afforestation, maintain the mountains and plant grass. When trees and grass grow up, they will not only provide good production conditions for agriculture, create a sound ecological environment but they will also provide people with lumber and firewood.

Concerning afforestation, some people say: "Distant water does not relieve immediate thirst." But a journey of a thousand miles starts with just one step, we must work on "distant water" now, otherwise it will never be available. "Immediate thirst" must be solved as well, and it takes something realistic and reliable. In this respect solar furnaces and economic wood- and coal-burning stoves are the most realistic and practical solutions. In 1980 Yongjing County introduced 2,976 solar furnaces, the public response has been very good and there are urgent demands for popularization. "Solar furnaces are great, they can boil water, make flapjacks and cook rice and they don't need firewood or coal," comments the public, "with a solar furnace in the house, it takes a load off the women's backs." Some people even bought solar furnaces for their daughters as wedding presents. Why are solar furnaces so popular among the peasants? A study shows the following reasons:

1. The northwest loessial plateau is located deep inland, far from oceans and at a high altitude, there is abundant sunshine. The annual rainfall is only

about 250-500 mm, the weather is dry and there are 2,500-2,900 hours of sunshine per year, the total annual radiation is 145 kilocalories per square centimeter, all these have provided a strong material basis for effective development and utilization of solar energy. There are about 210 days in a year when solar furnaces can be used.

2. Solar furnaces are compatible with the working and eating habits of the local public. Here people are used to eating steamed buns, noodles and potatoes as their main staple, potatoes serve as bread as well as a vegetable. The work schedule of commune members generally calls for working in the fields beginning at 5 or 6 o'clock in the morning and going home for breakfast at 8 or 9 o'clock. At breakfast time the solar energy efficiency is high and can be used to steam buns, boil potatoes or make flapjacks. At lunch the solar heat efficiency is even better and it takes only a short time to steam buns or boil water. It solves the problem of making tea and steaming buns for lunch and it also provides abundant boiled water for use at night. After going home at night, boiled water is put into the pot and noodles are cooked without using much firewood. On sunny days there is essentially no need or very little need for any other fuel. At least 50 percent of the fuel can be saved over the year.

3. Solar furnaces are technically simple and convenient to operate. The solar furnaces in Yongjing County have an opening area of 2.2 square meters and a projection area of 1.9 square meters, they have basically been standardized. The furnace body is small and light, the height of the pot and tilt of the furnace can be freely adjusted according to the angle of the sun so the peasants found them safe and convenient.

4. Solar furnaces require little investment and have high thermal efficiency. Each furnace requires only 35 kilograms of concrete, 22.5 kilograms of steel, 2 square meters of mirror and costs 50-60 yuan. When the sunshine is good, it takes only 20 minutes to boil 3 to 4 kiloliters of water. Its power is equivalent to a 1 kilowatt electric furnace.

Today in the villages the furnaces that burn firewood directly are passed down from generation to generation. Judging from the situation and ability in China, these furnaces still need to be used for another 10 to 20 years. Practically speaking, furnaces will still be used no matter what energy sources are being developed, northwest arid areas are no exception. In recent years there are two problems in the use of rural furnaces: first they consume large quantities of firewood and second their thermal efficiency is too low (only about 10 percent). In the past few years a number of places in China have modified and produced some fuel economical and thermally efficient furnaces; if they can be popularized in the northwest region, the value will be even greater. Based on the discussion given above we can see that although there are some variations in geographic and natural conditions and energy resources in the entire northwest area, there is one thing in common, namely, from the viewpoint of long-term interests, great efforts must be made in afforestation, protection of the mountain and planting grass. Based on the practical conditions, solar furnaces and economic wood-burning and coal-burning stoves must be promoted actively. As for small hydro-electric power, small coal pits and wind energy, some of the regions in northwest China are quite promising. Places with favorable conditions for these energy

sources should exploit these advantages sufficiently and combine them in a flexible way so that they can gradually stop the practices of breaking tree branches, stripping tree barks, digging up grass land and roots, and burning livestock dung; let trees and weeds grow quickly and restore ecological equilibrium. This is the structure of energy construction and solution to the energy problem of rural areas in northwest China.

9698

CSO: 4006/101

MINERAL RESOURCES

BRIEFS

GOLD DEPOSIT DISCOVERY--Beijing, 27 Nov (XINHUA)--A gold prospecting unit under the PLA capital construction engineer corps in the past 2 years has located 11 large or medium-sized gold deposits in Heilongjiang, Shandong, Henan, Sichuan and other provinces. Some of them have been turned over to the government for mining. [OW041315 Beijing XINHUA Domestic Service in Chinese 1412 GMT 27 Nov 81]

CSO: 4006/161

INDUSTRY

IMPROVEMENT OF CEMENT QUALITY STUDIED

State Council Notice

Beijing SHUINI [CEMENT] in Chinese No 10, 10 Oct 81 p 2

[State Council Notice on Further Improvement of Product Quality by Small Cement Enterprises as Proposed by the Ministry of Building Materials and State Economic Commission--State Document No 125, 1981]

[Text] To all provincial, municipal and autonomous regional people's governments and all ministries, commissions and other relevant organs directly under the State Council:

The State Council has approved the "Report on Further Improving the Product Quality by Small Cement Enterprises" submitted by the Ministry of Building Materials, the State Economic Commission, the Ministry of Agriculture, the Industry and Commerce Central Bureau and the State Standardization Bureau, now being forwarded for careful study and implementation.

Cement is one of the principal materials for state construction as well as housing construction for people in urban and rural areas, and its quality has a direct bearing on the national economy and the people's livelihood. At present, the poor quality of the products of some small cement enterprises should be carefully attended to. All localities and departments concerned should adopt positive measures of improvement and strive to raise the quality of the products of small cement enterprises. With a keen sense of responsibility to the state and the people, they should guarantee that the quality of cement leaving the factories is up to the required standard, and strictly forbid any product without a fitness certificate from leaving the factory.

The State Council of the
People's Republic of China.

20 August 1981

Report to State Council

Beijing SHUINI [CEMENT] in Chinese No 10, 10 Oct 81 pp 3-5

[Report on Further Improvement of Product Quality by Small Cement Enterprises]

[Text] To the State Council:

The small cement industry has developed rapidly in our country. In 1980, their output was 54.27 million tons, 68 percent of the total cement output. This output has helped ease the contradiction between supply and demand in cement; and because of its orientation to the countryside, it has also played a great role in satisfying the needs of 800 million peasants. Along with the development of the rural economy and the enlarged scope of rural housing construction, the task for the small cement industry will be even heavier.

The small cement industry developed under crude conditions with limited self-raised local funds, at a time when the contradiction between supply and demand was acute and conditions were difficult with regard to funds, equipment and material. Therefore, most of these enterprises are using backward equipment with incomplete technical accessories. They are weak in technology and poor in management, and these factors generally account for the inferior quality of their products and their high production costs. In the past several years, particularly since the 3d Plenary Session of the 11th Party Central Committee, the construction materials departments and small cement enterprises in various localities have earnestly implemented the policy of readjustment, restructuring, consolidation and improvement, and have done a great deal of work in consolidating and improving the enterprises, in building up a technical force, and in strengthening business management with particular emphasis on improving the product quality and lowering the production costs. The situation has now begun to improve. In 1980, 85 percent of the products--12 percent higher than in 1978--of small cement factories at or above the county levels throughout the country were up to the required standard. However, many small enterprises are still attaching more importance to the output than to the quality, and in 1980, more than 3 million tons of rejects were delivered from these factories, while some 9 million tons did not go through any quality check according to state standards in the factories (and 80 percent of the products of small cement enterprises run by communes or production brigades and teams were not checked on at all). This practice has seriously affected the quality of construction engineering.

The quality of cement has a close bearing on the national economy and the people's livelihood, and particularly on the immediate interests of the 800 million peasants. Therefore, streamlining and improving the quality of products by small cement enterprises are extremely important tasks for the cement industry, and these tasks must be carefully attended to during the period of readjustment.

Here are our views on further improving the quality of cement:

1. The laboratories should be reorganized, and means of quality control and inspection should be adopted and perfected in order to insure that the quality

of products is up to state standards. A thorough reorganization should be conducted on existing laboratories of enterprises before the end of 1982 according to state standards and as required by the regulations for quality control in small cement enterprises. After the reorganization, the laboratories should be inspected by the provincial, municipal or autonomous regional departments in charge, and be given "certificates of fitness." Any enterprise without a laboratory must set up one before the end of 1982. If any enterprise fails to obtain a "certificate of fitness," the provincial, municipal, or autonomous regional bureau (in combination with the commune and production brigade enterprise administration bureau of the province in the case of a commune- or production brigade-run enterprise) will refer this enterprise to its local industrial-commercial department together with a signed recommendation by the standardization bureau, for the business license of the enterprise to be revoked. This enterprise will then have to suspend its business operation for a consolidation to be completed within a time-limit. It can resume production only after its products have passed the required inspection and after approval and a new business license have been obtained from the provincial bureau of construction materials, the standardization bureau and the industrial-commercial administration bureau.

2. Selling rejects must be strictly forbidden. Beginning from 1 January 1982, any enterprise permitting its rejects to leave the factory, besides accepting the returned goods for a full refund, replacing these goods and compensating the customers' losses, will be suitably dealt with by the industrial-commercial department. It may be warned, punished or it may forfeit its business license according to the seriousness of the offence. Any enterprise found to be fraudulently covering up problems of product quality will receive disciplinary action from its department in charge. The disciplinary action or criticism will be publicized throughout the province. Should any untoward incident result from the use of inferior materials in engineering projects, the responsible person would be severely dealt with.

3. Supervision and inspection of the quality of small cement products should be strengthened. The local cement inspection organs being set up or already set up will serve as the core of inspection for the quality of these products (including the small cement products of communes and production brigades and various trades). While the business administration of these small enterprises are under the joint leadership of the provincial standardization bureau and the provincial building materials bureau, the task of supervision and inspection of the quality of small cement products will be undertaken by these inspection organs throughout the province. Whenever there is any complaint from the users on the quality of the cement, the local cement inspection organ in the province, municipality or autonomous region will act as the arbitrator. If the quality is found to be inferior, then the producer will have to accept the returned goods and pay the compensation. If the producer resorts to any unethical tactics (such as cutting off the supply of goods) instead of making any restitution, the user may appeal to the local economic arbitrating organ or the department in charge of the enterprise which, in collaboration with the industrial-commercial administration department, will mete out punishment for the enterprise, revoke its business license, or take other forms of disciplinary action.

4. In accordance with plans for development and distribution in the small cement industry, there will be no building of new plants (including small cement factories run by communes, production brigades and various trades and undertakings). Application for the building of new plants must be approved by the provincial, municipal or autonomous regional authorities; otherwise it will not be registered by the industrial-commercial administration department.

The small cement factories (including those built by the communes, production brigades and various trades and undertakings) must be reported to and approved by the provincial, municipal or autonomous regional building materials bureau (or the enterprise administration bureau of communes or production brigades) prior to their operation. The building materials bureau (or the enterprise administration bureau of communes or production brigades) must have ascertained that these factories are in a condition for the regular production of a certain type of cement according to state standards before approving their operation, registering them with the local industrial-commercial administration departments, and issuing them the business licenses. Cement factories having no valid business licenses are not permitted to operate or to open bank accounts.

5. Economic means should be employed for quality control by the small cement enterprises run by communes and production brigades. These small cement enterprises should compute their output in light of quality, pay wages according to the output, hold everyone responsible for the quality, and distribute benefits according to the work done. Finished or semifinished products whose quality fails to meet the required standard are not to be included in the output, and will not be paid for, since the quality of products should be linked with the material benefits of the workers and staff members. The enterprise administration bureaus of all provinces, municipalities, autonomous regions, communes or production brigades should assign special persons to strengthen the control of commune- and production brigade-run small cement enterprises, while the building materials bureaus should provide them various forms of technical assistance.

To do a good job in consolidating the small cement enterprises, all provincial, municipal and autonomous regional people's governments should provide more active leadership in improving the quality of small cement products, and provide the necessary facilities for setting up local cement inspection organs and the means of quality inspection. The economic commission, building materials bureaus and standardization bureaus at the provincial, municipal and autonomous regional levels; the enterprise administration bureaus of communes and production brigades; and the industrial-commercial administration departments should closely cooperate with one another to do this work well.

Should this report be considered satisfactory, please relay it to various provincial, municipal and autonomous regional people's governments together with your comments for their study and compliance.

Ministry of Building Materials,
State Economic Commission,
Ministry of Forestry, and
Industry and Commerce Central Bureau.

9411
CSO: 4006/83

FOREIGN TRADE

PROVINCES INCREASE MACHINERY EXPORTS

OW030906 Beijing XINHUA in English 0721 GMT 3 Dec 81

[Text] Beijing, 3 Dec (XINHUA)--Shandong, Zhejiang and Liaoning provinces have increased exports of machinery products this year, according to local branches of the China National Machinery Import and Export Corporation.

In the first 10 months of this year, Shandong in East China, exported 60 varieties of machinery products including tractors and bearings worth more than 15 million U.S. dollars, 33 percent more than 1980's total. The province also has processed three million U.S. dollars worth of machines, bench drills and desk fans according to designs and samples supplied by foreign businessmen.

Shandong's machinery industry produces a wide range of products. The local branch of the China National Machinery Import and Export Corporation, established in 1979, has direct trade relations with more than 20 countries and regions in Southeast Asia, Middle East, Europe and America.

Another East China province, Zhejiang, has signed this year 278 contracts to supply goods to 109 firms in 35 countries and regions. The transactions are expected to treble the 1980 export volume by the end of this year. Trade for processing materials supplied by customers based on their designs and samples and the production of brands specified by users also have been introduced in the province.

Zhejiang's machinery industry has 20,000 machine tools and employs 100,000 workers. Previously, the industry mainly exported standard parts and tools. The province now produces complete sets of machines, electrical equipment, instruments and meters, including equipment for hydroelectric power stations, air separation equipment and diesel generating equipment. Varieties of exports have increased to 300, the local branch of the Import and Export Corporation reported.

The Shenyang No 1 machine tools plant in northeast China's heavy industry base, Liaoning Province, this year exported one-fifth of the province's total machinery for export. In the first 9 months, the plant concluded contracts worth nearly 6.8 million U.S. dollars with foreign businessmen, the local branch said.

Lathes exported by the plant are in 15 varieties, and they are sold to 40 countries and regions.

CSO: 4020/43

LABOR AND WAGES

'RENMIN RIBAO' ON EMPLOYMENT, LABOR PRODUCTIVITY

HK020606 Beijing RENMIN RIBAO in Chinese 23 Nov 81 p 5

[Article by Yue Guangzhao [1878 0342 2507]: "Several Questions on Increasing Employment and Raising Labor Productivity"--initial capitalized passages published in boldface]

[Text] For many years, a marked contradiction has existed between the expansion of labor employment in our nation's towns and cities on one hand, and the raising of labor productivity on the other. The satisfactory resolution of this contradiction is related to stability and unity in society and the overall situation of our socialist modernization construction. Therefore, people have generally been concerned with this question.

Undoubtedly, our country has achieved tremendous success in providing employment for workers in the towns and cities. Over the period of 31 years since the founding of the PRC, the total number of workers and self-employed urban laborers has increased from 15.73 million at the end of 1949 to 105.25 million at the end of 1980, an increase of nearly 590 percent. Because of the expansion in employment, the number of persons supported by each employed person in a worker's family (and this includes the worker) has decreased from 3.6 in 1952 to 1.83 in 1980. This change has played a very important role in ensuring the availability of a labor force needed for production and construction, the maintenance of stability and unity in society, and the improvement of the livelihood of urban workers' families.

However, the productivity of workers of the enterprises has grown rather slowly. If one considers the industrial enterprises under the system of ownership by the whole people, their labor productivity increased from 3,004 yuan in 1949 to 12,031 yuan in 1980, an increase of over 300 percent. If the total value of the output of our country's industrial enterprises under the ownership by the whole people was taken as 100 in 1949, then in 1980 it was 3,520, more than 35 times the 1949 figure. During the 31-year period, the total value of industrial output increased by some 3,400 percent, but labor productivity increased by only some 300 percent or more. Naturally, there are many factors affecting increases in the productivity of workers of enterprises. However, excessive increases in the number of workers employed by enterprises constitute a very important factor.

Can we choose between expanding employment of urban labor and raising of labor productivity by striving to achieve one at the expense of the other? This is possible under special circumstances. For example, during the decade of turmoil, tens of millions of urban young people awaiting employment remained unemployed. After the

smashing of the gang of four, various essential economic conditions were not yet ripe. The expansion of employment had to be taken as a very important task in an attempt to achieve stability and unity in society. Another example was that in 1959 to 1961, our country experienced grave difficulties in its national economy. Yet, after this, in 1961 to 1964, we reduced our work force. Consequently, during the 1963 to 1965 period, the overall labor productivity of the industrial enterprises rose by an average annual rate of 23.1 percent. The time needed for overcoming the economic difficulties was greatly reduced. However, basically speaking, a protracted neglect of either the expansion of employment, or the raising of labor productivity, will bring about undesirable results.

The problem facing us is whether we can rather substantially raise the productivity of workers of enterprises while, at the same time, we are working to expand labor employment. I think this is possible. However, to turn possibility into reality, we must formulate appropriate principles and policies and adopt appropriate measures on the basis of unified ideology and understanding.

1. We Must Readjust the Industrial Structure and Ownership Structure. Regarding our industrial structure, for a considerable number of years after the founding of the PRC, we overly stressed the development of industry. Moreover, we overly stressed the development of certain heavy industries and relatively neglected the development of light industry, commerce and the service trades. Regarding the ownership structure, we developed the economy solely under the ownership of the whole people. We placed restrictions on the collective economy and suppressed and banned the individual economy. Consequently, the development of the entire national economy was affected and many channels of labor employment were blocked. The irrational industrial structure has led to an irrational distribution of workers. On one hand, over 50 percent of the new workers are assigned to the industrial sector, and moreover, 70 percent of these workers are assigned to the sector of heavy industry, so that the raising of labor productivity in these sectors is affected. On the other hand, many service trades and some of the trades that produce consumer goods lack workers. Because the ownership structure is irrational, the urban young people awaiting employment very often can only seek employment in the enterprises under the ownership of the whole people, and thus the personnel of these enterprises continue to increase. However, in society, there are many kinds of work which there is no one to perform. Conditions can be created for expanding employment only if the industrial structure and the ownership structure become rational through readjustment. The number of workers who can be accommodated is limited if we expand employment merely by developing heavy industry. Moreover, our country is incapable of doing this with its available financial and economic resources. In developing light industry, the handicraft industry, commerce, the service trades and the production of other consumer goods, we should minimize resorting to the form of state-operated units whenever collectively or individually run units are appropriate. Then, the urban young people awaiting employment will not continue to surge into the heavy industry sector and the enterprises under the ownership of the whole people, where the personnel are already in excessive numbers. Thus, the contradiction between expanding employment and raising the productivity of workers of the enterprises can be relatively satisfactorily resolved.

2. We Must Implement the New Employment Policy. Since the founding of the PRC, a system of labor employment whereby the labor departments monopolize the employment and the allocation of labor has gradually been formed. This is very closely related to the system of ownership by the whole people, marked by reliance on a single economic sector. By practicing this system, the labor departments intend to rationally allocate the labor force in a planned way and according to enterprises' needs, so that all those awaiting employment can be appropriately accommodated. However, the actual results turn out to be contrary to this subjective desire. In fact, the technical conditions and professional work of various trades are extremely complicated, and the professional skills and interests of those awaiting employment differ vastly. The labor departments are incapable of allocating the workers very rationally. In particular, the labor departments neither possess the ability to undertake the assignment of jobs to all those in the towns and cities awaiting employment, nor will permit those awaiting employment to find their own ways to earn a living. It is obviously unwise for them to adopt such a policy. In 1980, the party Central Committee called a national work conference on labor employment, at which a policy for solving the problem of urban labor employment was put forth; namely, to integrate the arrangement of employment by the labor departments with the creation of employment on the basis of voluntary organization and with the seeking of jobs through people's own efforts, under the guidance of overall state planning. Moreover, when the enterprises need to recruit workers, they should be encouraged to invite applications from the public and to choose the better candidates for employment. The practice over the past year has proved that this policy is absolutely correct. Aside from the recommendation of jobs to young people, awaiting employment by the labor departments and in the light of the needs of enterprises and various institutions and so on, many young people previously awaiting job assignments have established enterprises which are under collective ownership, or have worked on a self-employed basis, according to the principles of voluntary association, assuming sole responsibility for profits and losses, distribution according to work done, democratic management and so on. Thus, their employment problem has been solved.

3. We Must Reform the Labor System and the Wage and Welfare System. In employing workers, the state enterprises only recruit workers and do not dismiss any. In the distribution of wages, they indulge in egalitarianism. They are also too involved with labor insurance and welfare. This is disadvantageous to rousing the staff's and workers' enthusiasm in work and ensuring the satisfactory running of the socialist enterprises. A policy formulated in the past stipulates that with regard to standard wages, labor insurance and welfare, workers of the state enterprises must enjoy superiority over those of enterprises run by larger collectives, who in turn must enjoy superiority over workers of enterprises run by smaller collectives. There is no social insurance for self-employed workers. Thus, the urban young people awaiting employment naturally aim to work in the state enterprises, or at least the enterprises run by larger collectives (because even though the workers of such enterprises earn less than those of the state enterprises in terms of wages and other benefits, they earn more than workers of the enterprises run by smaller collectives and self-employed workers). They are not interested in, and have misgivings about, joining the enterprises run by smaller collectives or becoming self-employed workers. To put an end to these undesirable phenomena, for one thing, we must create conditions for the gradual reform of the labor system and wage and welfare system adopted by the state enterprises, and for another thing,

we must give the requisite support and assistance to the workers of enterprises run by collectives and self-employed workers, so that their income will not be lower than the remuneration of workers of state enterprises and the opening up of many channels of employment will be facilitated.

4. We Must Do a Good Job of Operating Labor Services Companies. For one thing, this can help reduce the workload of the enterprises in accommodating young people awaiting employment. For another, this can enable the enterprises to expand or reduce their personnel according to their needs. By satisfactorily running labor services companies the regulation of labor force will be assisted. Such companies are like "reservoirs." The labor services companies under the leadership of local labor departments can perform a number of functions, such as helping those awaiting employment to develop the collective economy or to seek employment by themselves, launching prevocational training, recommending workers to enterprises, exercising supervision over young people awaiting employment and educating them, helping enterprises accommodate surplus manpower when conditions are ripe, and so on. Moreover, all those factories, mines, enterprises, agencies, organizations and schools which are in a position to establish their own labor services companies may also run such companies, so that they can accommodate the surplus manpower in their own units and also organize and provide guidance to the children of their staff and workers who are awaiting employment so that these young people may help establish collective economic units which undertake independent accounting and assume sole responsibility for their own profits and losses, or work on a self-employed basis. To this end, the authorities concerned must provide the necessary support and assistance in connection with things such as funds for establishing such companies, channels of supply, production and marketing, premises for operating such companies, financial and taxation policies, and so on.

5. We Must Adopt an Appropriate Policy Regarding Technology. Our country has a large population and every year there are large numbers of new workers in the towns and cities who need the government's help in finding jobs. On the other hand, our country must adopt modern and advanced technology and continuously raise labor productivity so that it can achieve the magnificent goal of the four modernizations. To resolve this contradiction, we can only proceed from our country's real circumstances and adopt an appropriate policy regarding technology. We may consider the following idea. In principle, those key enterprises which are important to the overall situation of our national economy or important in relation to the modernization of national defense must adopt modern and advanced technology. We must vigorously grasp the technological transformation of all such enterprises which are currently technologically backward and enable them to gradually attain advanced world standards. These units must employ personnel according to advanced and rational criteria for fixing the number of staff members, and must strive to achieve higher labor productivity. Other categories of enterprises can pay greater attention to the expansion of employment. They do not necessarily need to use advanced technological equipment to reduce the employment of manpower. Our country has an abundant labor force and labor costs are low. Therefore, we have particularly favorable conditions for developing the labor-intensive types of production such as handicrafts. We should strive to bring this superiority into play.

6. We Must Strengthen Prevocational Training. At present, except for the graduates of universities, colleges, secondary technical schools and other schools for training mechanics and technicians, who are subject to centralized allocation, most of the urban young people awaiting employment are given training before they are employed. This will be advantageous to production. This will enable them to relatively quickly begin to play a positive role in production. On the other hand, the employment by enterprises of large numbers of untrained young people awaiting employment will inevitably lead to a fall in the political and ideological quality as well as technical and professional standard of the staff and workers of enterprises, and will inevitably impede the consolidation of labor discipline and the raising of labor productivity at enterprises. Generally, the urban young people awaiting employment have only received secondary education and do not possess technical and professional knowledge. Without undergoing the requisite training, they will not only be incompatible with the needs of enterprises under ownership by the whole people and enterprises run by the collectives, but will find it difficult to organize collectively-run enterprises by themselves or to work on a self-employed basis. Therefore, we must resolutely and vigorously start prevocational training work.

7. We must Rigorously Control the Urban Population. To resolve the contradiction between expanding urban labor employment and raising the productivity of workers of the enterprises, we must grasp the control of the urban population as a major task. The methods of control are: First, adhering to birth control; second, rigorously controlling the flow of rural workers into the cities; and third, adopting measures to encourage the urban young people awaiting employment to undertake farming and the breeding of aquatic products in those towns, cities, forest regions and industrial or mining regions with suitable conditions. The practical experience gained in many localities has proved that this is feasible.

8. We Must Bring the Expansion of Employment and the Raising of Labor Productivity in Enterprises in Line With National Economic Planning. The expansion of employment and the raising of labor productivity are related to the overall situation of the national economy. Such questions should be an important part of national economic planning. What we call bringing these matters into the scope of planning naturally does not amount to simply including a few figures in our plans. It requires us to formulate practical and effective measures. Such matters as the strengthening of prevocational training, the readjustment of our industrial structure and ownership structure, the adoption of appropriate policies regarding technology, the reform of the labor system and wage and welfare system, the satisfactory operation of labor services companies, and so on, involve the attainment of comprehensive equilibrium in human, financial and material resources in our national economic planning. Our national economic plans must provide the necessary human, material and financial resources so that the successful handling of these matters can be ensured.

LABOR AND WAGES

TU OFFICIAL STRESSES NEED FOR MODEL WORKERS

OW081214 Beijing XINHUA in English 1200 GMT 8 Dec 81

[text] Beijing, 8 Dec (XINHUA)--Wang Chonglun, noted national model worker and vice-president of the All-China Federation of Trade Unions, today called for attention to the bringing up of a large number of young model workers.

Wang Chonglun is now attending the National People's Congress as a deputy from Liaoning, northeast China. "Without young models," he said, "our cause will be greatly affected."

"Advanced workers are a vital force in production. They can help to improve economic performance and productivity and speed up the entire national economy as a whole," he said.

Wang Chonglun distinguished himself in the early fifties by introducing a universal fixture which greatly raised productivity, when he was working in the Anshan Iron and Steel Company in northeast China. At that time, he was only a little over twenty in age. Later, he made more innovations.

Most of the older model workers, who contributed a lot to China's industrial growth, are no longer working in the forefront of production, he said. The average age of the model workers who attended the national worker-peasant-soldier model labourers conference in 1950 is now 68, and over 70 percent of the model workers attending the 1956 national advanced workers' conference have reached the age for retirement.

"There is only a small number of model workers under 30 among the several million young workers," he said.

"This is because in the twenty years between 1960 and 1979 no national model workers' conferences were held," he said. China held four model workers conferences in the fifties.

He proposed to convene another national model workers' conference as soon as possible and commend a large number of young model workers.

He also made the following points:

First, correct criteria must be followed in choosing model workers. Those who are selected as model workers must have made outstanding contributions in socialist construction and have played a big role in raising productivity and improving economic performance.

Second. The outstanding deeds of the model workers must be widely publicized as an important part of the effort to enhance the socialist mentality.

Spreading their advanced skills and experience is a good method for increasing industrial output, improving quality and lowering cost without adding investment.

Third. Leading organs at various levels must strengthen their work to educate the model workers and help solve their difficulties.

"Model workers should not be asked to attend too many social activities, neither should they be assigned too much administrative work. They should spend most of their time in production," he demanded.

CSO: 4020/46

TRANSPORTATION

BRIEFS

CAAC TARGET ACHIEVEMENTS--Beijing, 30 Nov (XINHUA)--The General Administration of Civil Aviation of China (CAAC) had met its 1981 quotas by 10 November, CAAC announced today. The total income drawn by CAAC from 1 January to 10 November from passenger, cargo and mail transport surpassed the quota for the entire 1981 by 15 percent. The total amount of passengers, cargo and mail calculated in terms of ton/kilometers that CAAC handled during the same period was 112 percent of the annual target. CAAC attributed its success to redoubled efforts made in 1981 to improve its service. This year CAAC has opened two international air lines (Beijing-Shanghai-San Francisco and Beijing-Shanghai-San Francisco-New York) and three regional air lines (Tianjin-Hong Kong, Nanjing-Hong Kong and Kunming-Hong Kong). Chartered services were established between Hong Kong and some tourist spots. [Text] [OW041229 Beijing XINHUA in English 0813 GMT 30 Nov 81]

DEVELOPING WATER RESOURCES--Beijing, 7 Dec (XINHUA)--Central and local governments, factories and mines are urged to build wharves at sea and river ports to develop China's water transport, reported today's WORKERS DAILY which carried a statement made by a central government leader at a forum in mid-November. The forum was attended by leading members of the State Economic Commission, State Planning Commission, State Capital Construction Commission and ministries of railways and communications. He suggested to open more ports to serve the growth of foreign trade and other external economic activities. The construction of large, medium and small projects of water transport should be undertaken simultaneously, he added. Local governments and enterprises should be encouraged to build wharves, set up fleets and more (?ports) for handling cargoes. With its long coast line and crisscrossed inland rivers, China has good conditions for developing water transport, which requires less investment and consumes less energy. It is necessary to make an overall planning for the building of railways, motor roads and water transport. [Text] [OW070941 Beijing XINHUA in English 0835 GMT 7 Dec 81]

CSO: 4020/46

GENERAL

SYMPOSIUM HELD ON EFFECTIVE CONTROL OF PRODUCTION COSTS

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 9, 20 Sep 81 pp 10-12

[Article by unidentified correspondent: "Attach Importance to Cost Control and Cost Research--Summary of Proceedings of the Second Theoretical Discussion Meeting Held by the China Cost Research Association"]

[Text] The second theoretical discussion meeting held by the China Cost Research Association took place recently in Wushi municipality with some 140 representatives attending. A report given in written form by Yu Guangyuan [0060 0342 6678], honorary president of the China Cost Research Association, on the way to strengthen cost control during the economic readjustment as a means of lowering production costs was read out; Xu Yi [6079 3015], president of the China Cost Research Association, and Ji Chongwei [1323 1504 1218], deputy secretary of the China Enterprise Management Association, delivered academic reports on "The Relationship Between Macroeconomic Policy Decisions and Production Costs" and "A Higher Level of Cost Research To Promote Economic Readjustment and the Four Modernizations" respectively. The representatives firmly adhered to the principle of "letting a hundred schools of thought contend" throughout the meeting and particularly stressed the following points in light of the theory and practice of production costs:

I. Great Significance of Cost Control During the Economic Readjustment Period

The representatives unanimously held that strengthening cost control and striving to lower production costs should be highly regarded by all production and business units, because of their great significance particularly during the period of economic readjustment. Besides readjusting the relationship between accumulation and consumption, reducing the scale of capital construction and developing production--especially agricultural, light and textile industrial, energy and raw material industrial production--the basic way to fulfill various tasks during the readjustment period, to bring about financial and credit balances, and to preserve the basic stability of commodity prices is to strengthen management and control, to improve economic results, and to achieve the unity of greater, faster, better and more economic results.

Many representatives emphasized the practical significance of lowering production costs in wiping out financial deficits. For various reasons, for many years great loss and waste have been common in all economic activities. There is great potential in all industries to lower their production costs. If great efforts are made

to tap this potential, it is possible to increase our income by billions, tens of billions or even hundreds of billions of yuan by lowering our production costs. A good job in lowering production costs means an important contribution to the success of the economic readjustment.

Some representatives pointed out the laxity and negligence in the work of cost control. To change this situation, it was the general opinion that besides readjustment and restructuring, consolidation was also necessary as a means of improving economic results. In a certain sense, greater attention to consolidation may even produce better effects. Cost control has to be consolidated not only in enterprises where production is sluggish, remains at a standstill, or even declines, but also in the light and textile industries with fairly rapid production growth and various "guarantees," in order to change the lax, perfunctory, chaotic and extravagant methods of cost control.

Some representatives pointed out the need to strengthen cost research in order to lower production costs during the period of economic readjustment. While agreeing on the great potential for all trades to lower their production costs, the participants pointed out certain factors in the rise of such costs (or expenditures). They shared the view that "the higher the level of mechanization, the greater the production cost" was particularly applicable to the mining and lumbering industries. It was generally agreed that in real economic life, further investigations should be carried out into the factors of the changes of various economic conditions and of production costs; into the influence of various policies and measures adopted during the period of economic readjustment on production costs; into the influence of production costs of various trades on one another; and into the trend of development. This method will help strengthen cost control and lower the production costs, and will provide cost data for the decisionmakers.

II. Production Costs as Important Data for Macroeconomic Policy Decisions

Study of cost control through a combination of macroeconomic and microeconomic methods was one of the important topics explored at the theoretical discussion meeting. During the first meeting dealing with production cost theories, it was proposed that the new topic of production costs should be studied from the macroeconomic point of view, and this study was given attention by various quarters for more than half a year. At the present meeting, some comrades further pointed out the importance of production costs as data for macroeconomic policy decisions. They held that for a long time in our country, there has been the problem of heavy investments with poor returns in economic construction, while financial deficits and price instability appeared in recent years as the result of damage from the leftist thinking. One important reason why the leftist thinking was able to play havoc with our national economy was that no cost accounting was conducted on the input, output, consumption and effects in our national economy. Consequently, our macroeconomic policy decisions lacked data, and serious errors ensued. These comrades held that production costs were the basic criterion for the assessment of economic results, and that the use or waste of funds would be reflected in the production costs. To work out a correct macroeconomic policy decision and to find a new way of reducing investment and increasing benefits, therefore, cost control must be strengthened.

Some comrades held that although macroeconomics was closely related to production costs, macroeconomic policy decisions were not solely based on the question of production costs, since there were also the questions of investment returns and social effects to be considered. Therefore, they affirmed, it would be more correct to say that "production cost is one of the important items for macroeconomic policy decisions." Some comrades agreed on this point and further suggested that a correct macroeconomic policy decision should also be an important prerequisite for cost control. They held that errors in a macroeconomic policy decision would cause problems to cost control and place it in a passive position. In making any macroeconomic policy decision, therefore, consideration should be given to the effects of such a decision on microeconomics and the production costs of an enterprise. Other comrades held that, generally speaking, the effects of a macroeconomic policy decision on the production cost of an enterprise should be noted, but not exclusively, since there should be many other questions to be considered in making such a decision. There should be an overall balance, and the choice of a plan promising the best comprehensive economic result. This plan, however, might not necessarily bring about the lowest possible production cost for an enterprise.

Many comrades held that cost control should be strengthened from the macroeconomic point of view, beginning with microeconomics. The "leftist" influence on economic work, the damage from the "10 years of catastrophe," the disproportion of the national economy, the various defects in the economic management system, and the mistakes of economic policies caused tremendous loss and waste and created problems in the work of cost control. These problems should undoubtedly be seriously studied and solved. However, as we must be aware, the low level of our enterprise management, the weakness of our cost control, the poor results of various economic undertakings, and the serious loss and waste are inexorable facts. It would therefore be incorrect for us to be concerned with only the macroeconomic aspect and to wait for the solution of external problems instead of striving to accomplish what can and should be accomplished within the enterprises. Some comrades held that macroeconomics and microeconomics are mutually related as well as mutually contradictory. Generally they are in harmony, but sometimes they are mutually contradictory. In our socialist nation, the principle behind the resolution of this contradiction is the subordination of the part to the whole. At present, from the microeconomic point of view, we can see the serious waste in some enterprises "littered with gold everywhere." Therefore, the enterprises should pay great attention to consolidation and strive for lower production costs. From the macroeconomic point of view, we should pay attention to readjustment and streamline the economic structure, the product mix, the organization pattern and other matters. Cost control can be greatly improved only through a combination of macroeconomics and microeconomics.

Many other comrades also put forward suggestions and tentative plans for strengthening cost control from the macroeconomic point of view.

III. Gradual Formation of a Cost Control System With Typical Chinese Characteristics by Summing Up Experiences

The representatives at the meeting unanimously agreed that an important task in cost research was to sum up the experiences in our country and to form a system of theories and methods of cost control--a system with typical Chinese characteristics. Many of them pointed out that for more than 30 years since the founding

of the People's Republic, we have had many successful experiences in cost control, particularly during the first 5-year plan and the 3-year readjustment period. Some departments, localities and enterprises were then very concerned with the job of cost control, and they gradually set up a whole system of cost planning, cost accounting, cost inspection and cost analysis, in addition to undertaking and improving such basic tasks as fixed quotas for fixed personnel, inspection of weights and measurements, and firsthand records, all connected with cost control. As a result, many good forms and methods, such as economic accounting for work teams and work shifts, index analysis and separate control at different levels, were introduced. In recent years, many enterprises have carried out overall economic accounting and obtained many good and new experiences. We are entirely capable of interpreting these experiences in terms of systems and theories, and then forming a science of cost control with typical Chinese characteristics.

During the discussion, some representatives also expressed their views on certain related questions as follows:

1. On setting up a system of responsibility for production costs. Some comrades held that the central task of cost control is to set up a system of responsibility for production costs. The fulfillment of this responsibility calls for the control of production costs both vertically and horizontally. Vertically, it should include the entire process of forecasting, planning, managing, accounting, analyzing and verifying production costs. Horizontally, it should include the work of all departments, production workshops, auxiliary workshops, labor departments in charge of production, business operations, designing, workmanship, technology, equipment, supply and marketing, finance and labor, and even the work teams and work shifts to be held responsible for production costs. There should be a good organic combination of both vertical and horizontal controls in order to make cost control a success.

Some comrades held that cost control as a principal aspect of economic accounting should include not only the entire process of production, but also the experiments to be conducted before production, the process of designing, and the processes of circulation and distribution after production. There should be a system of cost responsibility in each of these links or processes so that there is an integration of technology and economy.

2. On the position occupied by cost accounting in the system of cost control. Many comrades pointed out that since cost accounting is the most basic link in the chain of cost control, we should proceed from the existing realities by first strengthening cost accounting in cost control. It was generally agreed that in addition to implementing the "guidelines," streamlining the party's style, and rectifying the violation of law and discipline and the resort to fraud, the following three links should be carefully attended to in strengthening cost accounting: first, conscientiously carrying out the basic tasks of cost accounting, properly setting up firsthand records, strengthening the inspection of weights and measurements, establishing or consolidating various quotas, strictly controlling all incoming and outgoing materials in the warehouses, and clearly defining the authority for writing off losses; second, seriously studying and reforming the system of financial accounting for cost accounting, prescribing the scope of spending on production costs, improving the methods of accounting for certain

items, and studying the regulations of cost accounting in different trades and for different types of enterprises; and third, carrying out a vigorous training program so as to quickly raise the professional level of cost accounting personnel up to the required standard.

3. On cost control planning. There were two different views on the way to strengthen cost control planning. One of them was that the cost index should be a planned index of a mandatory nature, to be passed from higher to lower levels for verification. These comrades pointed out certain defects in both the substance of the index and the method used in cost planning now being relayed to lower levels, and stressed the need for research to be conducted for an improvement. In this case, particular attention should be paid to studying and solving the problem of coordination between the planned cost index--relayed to the lower levels--and various other planned indexes. The other view was that the enterprise should work out its own cost plans, and that in national economic planning, cost planning should not be used as a mandatory index to be relayed to various localities and departments. In working out an income budget, the financial departments could prescribe a certain margin for the lowering of production costs to be used by all localities and departments for reference. Of course, in planning cost control, the state should still adopt certain measures of reform. For example, for the distribution of productive forces and the building of new enterprises, the planning department and the departments in charge of the enterprises should supply a forecast of the production cost of the enterprises' products; the departments in charge of the enterprises should conduct forecasts and check up on the overall average production costs in their own department; and so forth.

4. On the question of cost verification and the linking of bonuses with cost index. Some comrades held that, to solve the problem of linking bonuses with the cost index in a rational way, the question of cost verification should first be properly handled. Some of them said that since profit touches on pricing and other problems, the use of profit as a yardstick of enterprise management efficiency and as the sole criterion for the appropriation of bonus funds might easily lead to overt or covert increases in prices. This would be inconvenient to management and might lead to an uneven distribution of benefits among different departments and trades. Therefore, they favored a coordination of profit index with the cost index and the forming of a complete index system. What index should be used for verifying costs? Many comrades held that the rate of lowering production costs of comparable items or the comparison of the actual costs with the planned costs now being used could not accurately reflect the expenditure or saving of social labor. Some comrades proposed that it would be feasible for the state (through the various departments in charge) to work out standard production costs for various products to be used by the enterprises as the basis for cost verification.

As to the question of linking bonuses with the production cost index, some comrades believed that this practice would not only add to the innate economic power of the enterprise, but also further strengthen its system of economic responsibility. It would particularly remind the workers and staff members of the enterprise of the need to promote the overall interests, and help avoid, or reduce, the one-sided quest for profits and the indiscriminate payment of bonuses. It would also bring about a closer relationship between bonuses and the practice of economy or extravagance. Other comrades favored the division of the bonus fund

into two different portions: one portion as a monthly bonus to be linked with production costs, and the other as a yearend bonus to be linked with profits. Another view was that since there was as yet no standard method of computing production costs or any rational and scientific index for verifying production costs, it would be inadvisable for bonuses to be linked with production costs. Some comrades said that with the present ill-defined scope of production expenditures, it was difficult to correctly assess the amount of production costs, especially for new products now appearing in a continuous stream. Since the production costs of some comparable products show a large "reduction" every year, the payment of bonuses would be greatly increased if they were linked with production costs. Moreover, new problems might crop up because of the difficulty of financial control. The majority of comrades were in favor of further study in the question of linking bonuses with production costs. However, as a material incentive for enterprises to be concerned with their production costs, the use of the production cost index as one of the conditions for the appropriation of bonus funds could be considered.

5. On production cost legislation and the establishment of production cost control organs. The comrades attending the meeting unanimously hoped for the formulation of "production cost laws" by the state in order that production costs and their control could be backed up by law and the present confusion and irresponsibility in the control of production cost expenditures could be overcome. Many comrades proposed that along with production cost legislation, control organs should be set up and perfected at various levels, since reliance on the financial departments alone would not be enough. The planning, economic and capital construction commissions at various levels, and the departments in charge of enterprises should all set up their own organs to be charged with the responsibility for cost control.

6. On learning from foreign experience in production cost control. The comrades at the meeting unanimously agreed on the gratifying results of learning from foreign experience in production cost control after the lifting of a self-imposed blockade. However, in learning from the Soviet Union during the early 1950's, we had to guard against copying mechanically. There is a difference between the socialist and the capitalist systems. The theories and methods of economic management science used in capitalist countries are suitable for the capitalist economic system, and we can only use them for reference. Instead of adopting them wholesale, we should, after learning and digesting them carefully, choose the portions that can be adapted to the realities in our country. Some comrades pointed out that in learning and conducting research on the Western science of management, we should also take our lessons from the experience (including the experience of failure) of the Soviet Union and the East European countries in economic management. Some comrades said that the theories and methods of economic management in foreign countries had developed from lower to higher stages, and that their production cost control was suitable for the development of science and technology (such as electronic computers) and the knowledge and extensive application of mathematics in foreign countries. Many of these developments still remain in textbooks and have not been tried out in practice. To sum up, in learning from or in using a foreign science of production cost control for reference, we should conduct concrete analyses in the light of realities in our country. Schools and research departments can select something from foreign countries for study.

In addition, many heated discussions were conducted at the meeting on the question of the economic character of production costs.

GENERAL

BRIEFS

MINORITY ECONOMIC RESEARCH SOCIETY--Beijing, 3 Dec (XINHUA)--The Chinese Minority Nationality Research Society was inaugurated in Beijing today. The society's major tasks are to follow the party's leadership, strengthen investigations and studies of the economy in minority nationality areas, engage in theoretical exploration, serve socialist economic and cultural construction in minority nationality areas, promote the party's and government's work on minority nationalities and train economic theorists of minority nationalities. Attending the inauguration ceremony were Yu Guangyuan, vice president of the Chinese Academy of Social Sciences, Yang Dongsheng, vice minister of the state nationalities affairs commission, leading members of the NPC nationalities affairs commission and other units and representatives of all nationalities from various provinces, municipalities and autonomous regions totaling more than 120 people. [Beijing XINHUA Domestic Service in Chinese 1321 GMT 3 Dec 81 OW]

CSO: 4006/161

PUBLICATIONS

BRIEFS

CHINA ENTERPRISE DIRECTORY--"China Directory of Industrial and Commerical Enterprises" [Zhongguo Gongshang Qiye Minglu 0022 0948 1562 0794 0120 2814 0682 6922], China's first voluminous commercial reference book compiled and published by Beijing's XINHUA Publishing House, is opened to subscription in Jiangsu Province. The directory gives the scopes of business, specifications and types of major products, scales and locations of some 10,000 enterprises in industry, transportation, commerce and service trades in China. It will help to promote coordination between producing and marketing units, facilitate commodity exchanges and boost economic development. [OW070119 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 4 Dec 81]

CSO: 4006/161

END

END OF

FICHE

DATE FILMED

Dec. 22, 1981